

MONTHLY REGION HIGHLIGHTS

DECEMBER 1992

CONFIDENTIAL

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SOM ☒ UM's ☒ Adm. Staff ☒
SAM ☒ RMM ☒ All Personnel ☒
DISTRIBUTION VIA FAX ☐ MAIL ☒

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REGION 1 MONTHLY HIGHLIGHTS DECEMBER 1992

I.	<u>VOLUME</u>	<u>Month</u>	<u>YTD</u>	<u>% Change YTD</u>
	Marlboro	3,186	26,419	-6
	Full Margin	4,304	37,451	-6
	Price Value	435	4,971	18
	Famous Value Brands	159	1,890	100

II. PM U.S.A. BRANDS

A. New Products

B&H Special Kings

Section 11

New Brand Sales (Year to Date):	B&H Special Kings	35 Million
	Medium 100's	59 Million
	Marlboro Five Pack	57 Million
	Basic	256 Million

Packing distribution on the brand is currently at 80.4% for the Full Flavor Kings. B&H Kings sales remain sluggish despite maximum levels of visibility. The recent allocation of B1G1F product will be utilized to improve distribution and stimulate sales in the Boston market. The 40¢ off per pack does not appear to be a sufficient incentive to generate consumer interest. Many wholesalers received so much product from their initial allocations when the brand was introduced that they have asked us to ship some of it back to Richmond. In retrospect, the B1G1F program should have been structured so that our sales people could have banded product purchased from wholesalers and depleted these excess inventories while generating trial and sales for the brand in the process.

Section 13

B&H Special Kings sales are inconsistent, regular packings are outselling menthol 2 to 1. In order to move more product, several Units have sent B&H promos into distributors to move product out. We recommend that Brand initiate a 2F1 program in Jan.-Feb. (after MAT push) to stimulate sales and consumer trial.

Section 14

B&H Special Kings sales YTD - 41 million units

Distribution as of 12/27/92:

	<u>TOTAL</u>	<u>CHAIN</u>	<u>INDEPENDENT</u>
District 71	85.81%	78.36%	94.74%
District 72	81.56%	68.71%	97.09%
District 73	77.83%	71.61%	89.62%
SEC. 14 TOTAL	81.57%	72.95%	93.50%

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Distribution by packing is as follows:

FF Regular - 81.5%
 FF Menthol - 81.4
 LT. Regular - 80.9
 LT. Menthol - 80.7

Sales of these packings remain stagnant. Several more direct accounts have returned portions of their original allocation to Richmond (Gem Candy, Cooper Booth & Scrivner). The banded 2-for-1 40¢ off product that was allocated from Richmond was difficult to sell due to the fact that numerous accounts already had existing stock on hand. However, for the few accounts that were able to accept the product, it sold quickly. We still need funds to wrap current 40¢ off stock at wholesale and retail accounts. The first trimester of B&H Special Kings promotions will also help to deplete some of this excess inventory.

Marlboro 5-Pack

Section 11

Distribution on the brand is currently at 39.2% of all outlets and at 71.9% for Retail Masters accounts. We continue to emphasize increases in distribution. The Holiday 5-pack offer went very well. Some retailers expressed their concern about our asking them to kick in additional monies when they felt that they were already doing so in pricing the 5-pack. We have also received many complaints that we did not run the Marlboro Holiday B3G2F. Many consumers were looking for this offer after we had run it the past two years. Sales of the 5-pack are expected to rise in some MA outlets after the state and federal tax increases take effect. Additional incentive offers would be helpful in generating movement on this brand.

Section 13

Marlboro 5-Pack sales are good in all trade classes due to unique party light promo and \$2.00 off coupon. Party lighter created a lot of awareness and excitement for the 5-pack. These packings should continue to be promoted to increase sales and awareness. The 5-pack could be taking some carton sales in supermarkets but the brand awareness for Marlboro has increased since the intro. The 5-pack is also taking advantage of the pack sales trend in supermarkets, with consumers buying multiple packs vs. single packs. Distributors are having a hard time keeping up with demand for 5-pack orders. During Nov./Dec. we will begin using the \$1.50 buydown program. More 5-pack displays are needed to display product, as product sells only if displayed.

Section 14

Marlboro 5 Pack sales YTD - 56 million units

Distribution as of 12/27/92:

	<u>Total</u>	<u>Chain</u>	<u>Independent</u>
District 71	50.79%	47.65%	55.39%
District 72	42.15	27.08	60.87
District 73	39.26	23.34	69.47
SECTION 14 TOTAL	43.55	31.61	60.10

Distribution by packing :	KS Soft Pack -	40.5%	Medium SP -	40.1
	KS Box -	43.2	Medium Box -	41.8
	Lt. Soft Pack -	40.1	Lt. Box -	42.8

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This brand continues to slowly increase in distribution. The \$2 off coupon was a great vehicle to move large quantities of this product at a time. Orloski Quik Mart ordered 5,000 cartons which sold within 2 weeks.

Rite Aid had previously accepted these packings with the agreement that they would receive the party lighter with their initial shipment of product. The party lighter was recalled prior to Rite Aid receiving shipment of the product. Account will not accept any product unless PM can at least provide \$2 coupons for their product. Request submitted to the brand department.

VS 10 Pack (Test - Hartford District)

In 2 accounts in Manchester, CT, after selling through product with free coupons, accounts do not wish to reorder. Consumers misunderstood the coupon and thought they could get 10 free packs of 20's. Product is viewed by consumers as free samples when placed on counters.

Marlboro Medium 100's

Section 14

Marlboro Medium 100's sales YTD - 58 million units

Distribution as of 12/27/92:

	<u>Total</u>	<u>Chain</u>	<u>Independent</u>
District 71	98.24%	98.17%	98.33%
District 72	95.75	93.83	98.20
District 73	94.40	95.03	97.37
SEC.14 TOTAL	96.01	95.03	97.37

Distribution by packing is as follows:	100 Soft Pack -	95.3%
	100 Box -	96.0

Sheetz and Rite Aid participated in the Marlboro Medium B1G1F promotion generating 1,111,000 additional units for District 73. The full allocation of the third wave was difficult to fully utilize due to the ship date of 12/29, conflicting with the arrival of B&H Sp. Kings 2-for-1 and MAT 2-pack sleeve product also scheduled to arrive during this same time frame. The direct accounts could not financially afford all this product.

Canadian Style Players

Section 12

FSF feedback from direct accounts has been fantastic. Pre-booking at Albany and Buffalo distributors has shown that this brand is satisfying our need for an entry that can satiate Canadian tourist/shopper wants in border areas. Direct accounts have been aggressive in their sell-in of this product, and we suspect that some distributors are using Canadian Style Players to gain a competitive advantage.

Section 11

Direct accounts in northern Maine have been literally fighting over Canadian Style Players. Initial orders have been, in some cases, stamped the same day received and sent out to retail outlets along the Canadian border.

Our public warehouse (Fore River, Portland, ME) ran out of product and had to cut orders to distributors the week of December 21st. Our accounts were upset that they could not meet retail demand. Necessary personnel in the New York office and Richmond were notified.

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B. FULL MARGIN**Adventure Team****Section 11**

Through 12/29/92, we have ordered 18,177 6M cases of the sleeved product, or 63.2% of our allocation. Many of the retail accounts have received their initial shipment of 2-pack sleeved product, and it is creating a lot of excitement and interest at retail. Stores have been getting many questions about the special Adventure Team logo. However, the promotion has gotten off to a rocky start at retail due to the fact that many accounts have not received their 75 or 120 deal displays from PM Express to date.

We have been in contact with PM Express and they have informed us that they have not been able to keep up with the demand for the displays and other materials on this program. Sales Reps have been experiencing numerous problems and on many occasions have been unable to get through to the system. If they do get through, the process has been extremely slow. This has caused a tremendous amount of frustration with our people considering the numbers of items and orders to be placed with PM Express.

The FET increase did affect our selling in some cases as most stores opted to take a split shipment. On the positive side, when this promotion is up and running, we will illustrate to our Retail Masters and non-Retail Masters accounts just what we have been talking about, and that is that **nobody can run a promotion as big and exciting as Marlboro.**

We have set up an appointment with Jim Krecek of PM Express here at the Section Office for next Thursday, January 14 to discuss all of the situations that have occurred with Adventure Team.

Section 12

Sales and acceptance of the Adventure Team sleeve product has gone well at both wholesale and retail with only two wholesale refusals reported at this time. Reports indicate that Peter J. Schmitt has issues with slotting and price confusion, while Olean Wholesale demands a \$200 per item slotting allowance (issues are being addressed by local management). Retail excitement is building in anticipation of our January kickoff. FSF feedback to date indicates that some smaller accounts remain **reluctant** to contribute to the co-fund promotion, however, overall sleeve acceptance has been good. Information tabulated at this week's U.M. meetings will provide us with a better gauge of Marlboro Adventure Team Sleeve/Co-fund participation.

The field has begun to experience Marlboro Adventure Team product delays out of Richmond. Direct customers have experienced order shipment delays (backorders) on several packings of the MAT Sleeve product; these orders have been cut or delayed without account or field notification. When orders are cut without prior notice, prebook delivery is delayed, hindering retail execution (at the present time Richmond's only notification method is that the items do not appear on an account's invoice). To help alleviate problems that may occur in the field due to backorders and account non-notification, we suggest two solutions:

- 1) Allow Section Offices the ability to prioritize the MAT Sleeve product backorders based on immediate market needs in complement to the present system of "FIFO" (first backorder in the system, the first one delivered to the direct customer).
- 2) Develop an account notification process that loops in the FSF Account Manager so that much of the "down time" with backorders and delayed pre-book deliveries can be eliminated. Retail delivery and execution is our number one priority at this time in making the Marlboro Adventure a big success.

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Marlboro Adventure Team P.O.S.

Recent learning of P.O.S. materials becoming out of stock are an impediment that must be overcome in making the Adventure Team a success. PM Express items are being placed on an unavailable list on an all-too-frequent basis. We have been in contact with Region, sister Sections, PM Express and Material Logistics in hopes of obtaining quantities of the out items.

The PM Express ordering process has been excruciatingly slow, causing additional Sales Rep down time. We need to get more (manufacture more quantities), better (get it right the first time), faster (get it on time, as scheduled).

On 1/5/92, Section 12 Sales Reps started to inform management of field delays in MAT P.O.S. arriving from PM Express. Further investigation will be conducted and communicated when they become available.

Section 13

Marlboro Adventure Team - Retailers are excited about promo. Several units report 100% acceptance of product and co-fund to Retail Masters participants. Only concern from Philip Morris sales force is execution and delivery of materials by PM Express.

Section 14**Marlboro Adventure Team**

A total of 31,460 cases, 99% of allocation, of 2-pack sleeve product has been sold to wholesale accounts. Several direct accounts requested additional cases of product for immediate delivery to fill pre-book orders. Richmond is still working against a two week delivery schedule. Additional product could be sold quickly if product was available for immediate delivery. Sales Reps also need product to carry in their vans to fill OOS conditions in the stores.

The use of PM Express to order POS materials for MAT became a nightmare with Sales Reps spending numerous wasted hours trying first to connect with the system and then to place orders. The system was critically overloaded. Once the system was accessed, many items had already been depleted. It is a must that all future programs of this magnitude allocate all POS items. Additional brochure catalogs are needed. Some PM Express items were canceled without notification to any level of Section 14 personnel. We have yet to receive a listing of canceled orders as promised.

Starting January 4th, Sales Reps are conducting a special 2 week coverage of accounts participating in the MAT 2-pack sleeve promotion. RMs, RMAs and part-timers are also included in this special coverage.

Marlboro 5 Pack \$2 Coupon Promotion

This promotion sold quickly and forced RJR to convert their previous \$4 Winston buy-down program to a \$5 buydown in order to compete.

Parliament Headphone Promotion

The full utilization of this promotion has been delayed due to PM Express system error, difficulty accessing the system via the telephone and when connected the system would unexpectedly disconnect. Also the promotion was not available as indicated with the revised date being changed several different times.

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C. PRICE VALUE**Section 11**

Our Price Value brands (Alpine, Bristol, Bucks & Cambridge) experiencing drastic sales declines due to the strong emergence of the black & white category. Increased coupon allocations and denominations are necessary to remain competitive at retail. Distribution is also becoming more difficult to maintain as retailers are commenting that we are reducing our promotional activity on these brands.

Section 13

RJR has radically expanded distribution into all areas regardless of the accounts' previous sales history with PV brands. They have introduced a private label for P.Dennis called Cardinal. In Shelbys, RJR will have 3 black & whites in distribution - Monarch, Best Value and Cardinal. Both RJR and B&W are buying down their black & whites up to a \$1.10 per carton which has re-started the war.

Section 14

The recent availability of Cambridge and Alpine coupons has boosted sales; however, in areas where supplies are depleted sales have deminished once again.

The 1993 Alpine and Cambridge budgets dictated that only 30% of the entire budgets could be applied to \$5 coupons/VPRs. We needed 70% of the budgets to be \$5 coupons/VPRs in order to be competitive in the market, especially in District 73. Any coupons of lesser denominations would be useless. Brand has been contacted with our request.

Black and White competitive brands continue to erode Bristol sales. Aggressively couponing this product would help to maintain distribution that is slowly dwindling.

D. FAMOUS VALUE BRANDS**Section 11**

In direct contrast to Price Value, sales of Basic and Private Label brands continue to soar. Associated Grocers of Maine has recently accepted F&L and will begin distributing it this month. This will give us a Private Label in 3 of the top 4 wholesale accounts in the state of Maine. The initial shipment of F&L and Money Menthol to A.G. of Maine was for some reason delayed. When the order was finally received, it was short. It was necessary for A.G. to stall their distribution efforts. This situation should be rectified in the next two weeks, as another shipment is due. Basic sales and distribution levels are growing rapidly as a result of the FSF activity. Distribution of Basic is currently at 24% of all retail accounts and Private Label is at 38.7%.

Our competitors are taking all discounts off invoice which is putting us at a competitive disadvantage in minimum price states. Monarch and Private Stock, for example, are discounting \$1.35 off invoice. We are discounting F&L, Eagle, and Best Buy 50¢ off label. Minimum Price Law states brands can only be discounted below the minimum if the retailer can show manufacturer off invoice discounts. As a result, retailers are buying our competitive brands, which can be offered for less to consumers. The additional money that we pay through Genco or F&L, etc., is not doing us any good. If we take it off invoice, there is a better chance it will be used to meet or even beat competitive prices.

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Section 14

Famous Value Brand distribution as of 12/27/92:

	<u>Total</u>	<u>Chain</u>	<u>Independent</u>
District 71	41.88%	40.82%	43.45%
District 72	36.19	24.87	49.97
District 73	61.75	46.46	88.06
SEC. 14 TOTAL	47.50	38.67	59.74

Scranton Tobacco has requested assistance from PM to either promote Basic or supply a black and white private label to compete with Prime (Mid Valley) and Private Stock (Klein Candy). All distributors in N.E. PA would be willing to promote a PM private label if one comparable to Prime or Private Stock were made available.

Basic remains a top seller for M. Brenner & Sons. Currently the 3rd leading discount brand behind Private Stock and GPC. We need to design a Distributor Program for the Brenner Sales Force. They could make a definite impact with this brand at retail.

Effective the end of December, Affiliated Foods and A.W.I. are expected to finalize their merger plans. This would make our Best Buy available to former Affiliated accounts and could open other accounts in the future as A.W.I. looks to expand its customer base in N.E. PA.

Festival Foods reports that Basic is their #1 black & white brand during the 3rd quarter even without promoting at retail during this quarter. Festival now wants to promote Basic in 1993 because of our price support offer during the 4th quarter.

E. Other

Results of the period 3 buy-in program for Section 11 were at 71.1%. Sales for the month were at 1,130 vs. objective of 1,033 or 9.4% over objective.

III. COMPETITIVE ACTIVITY**A. R.J. REYNOLDS****1. Promotions**

- | | |
|----------------|---|
| <u>Winston</u> | <ul style="list-style-type: none"> - \$5.00 off a carton/50¢ off per pack. (11,13,14) - Cartons and packs placed on supplemental floor display - Buy 3 packs get a free Christmas tape: 30 deal dump bin. (11) - \$1.00 off 2 packs. (11,14) - \$6 off a carton (14) - \$4 off a carton (13,14) - \$3 off a carton (14); some coupons say "Make '93 your year with Winston" (14) - Winston free flashlight with 2 pack purchase. (13) |
| <u>Camel</u> | <ul style="list-style-type: none"> - Free 1993 calendar with 3 pack purchase. (11) - 75¢ off 2 packs and triple "Camel Cash" (6 C-notes) (11,14) - B1G1F & B3G3F (11) - Free playing cards with 3 packs. (11) - Free lighter with 2 packs. (11) - Free hat with 2 packs. (11) - Free mug with 2 packs. (11) - \$2.00 off a carton on Camel Wides. (11) |

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- Wides - 2 free lighters with 2 packs. (11)
- B1G1F filters and lights (14)
- \$3 off a carton (14)
- Camel \$1.25 off 2 packs - all styles (13)
- Camel Cash Catalogues, Volume III being shipped direct to retail, being set up by retailers. (13)

Salem

- B3G3F (11)
- \$3.00 off carton coupons. (11,14)
- \$1.00 off two packs. (11,13,14)
- Mail-in offer for a personalized T-shirt. Cost is \$8.50 with 2 Salem wrappers. (11)
- 75¢ off 2 packs (11)
- \$4 off a carton (14)
- \$6 off a carton (14)
- Salem and Salem Lights 1 pack key chain. (13)

Sterling

- \$3.00 off a carton/35¢ off per pack. (11)
- 50¢ ctn coupons/25¢ off pk (14)
- \$3 ctn coupon/30¢ off pack (14)

More

- B1G1F (11,14)

Doral

- \$3.00 off a carton/30¢ off a pack. (11,14)
- \$5.00 on carton coupons. (11)
- 25¢ pk coupons (14)
- \$3.50 ctn coupon/35¢ off pk (14)
- Reps will discontinue couponing Doral in Retail Masters accounts. (13)

Magna

- \$2.50 ctn coupon/25¢ off pk (14)
- \$3 ctn coupon/30¢ off pk (14)

Now

- B1G1F (11,14)

Vantage

- \$1.00 off 2 packs. (11)
- \$4.00 off a carton. (11)
- Free calendar book with 3 pack purchase. (11)
- B1G1F (14)
- \$3 ctn coupon (14)
- \$5.00 off cartons of Vantage Ultra Lights; packs inside cartons pre-stickered with 50¢ off per pack. (13)

2. Mercandising/Fixtures**Section 11**

It is rumored that RJR has depleted their inventory of new OHPM's, leading to many unfulfilled retailer requests.

Section 14

Three \$4 coupons for full margin brands were mailed to consumers during the Holidays in a seasonal envelope.

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Monarch and Bronson (PM) priced at the same price of \$1.09 in Wawa stores. Work force concentrating on Monarch in central PA area, gaining distribution in both chain and independent accounts.

The placement of overheads and carton fixtures in the South Jersey area was canceled or delayed during the month of December due to the fact that their fixture budgets for '92 were exhausted.

3. Sales Force Activity

Section 11

They continue to utilize extra manpower in our Retail Masters accounts. They are trying to build their full margin business through the use of \$4.00 and \$5.00 coupons on Winston and Salem, along with extra incentives on other full margin brands.

Their sales reps have been supplied with pricing guns and are marking all value brands with the "lowest" price, including price reduction offers.

They are actively switch selling Marlboro smokers to Winston Select by offering two free packs for the return of 1 pack of Marlboro.

4. New Products

Section 12

Winston Five Pack (Kings And 100's)

This promotion has now been confirmed in select independent Mobil Oil locations in addition to Consumer Beverage in the Buffalo area. Product and sleeves are shipped separately to stores where PM has Marlboro 5-Pack distribution (RJR's apparent competitive response); upon arrival RJR SR's assemble. Example sent to NYO for viewing.

Section 11

It has been reported by UM John Hackett that RJR will be introducing a new Black and White in the Maine market called Sebring, made by Forsyth Tobacco. No other details are available at this time.

5. Other

Sections 12 & 11

E.E.T./Retail Feature Program At Forsyth Tobacco

RJR announced that they would not change the list price of any Forsyth product on January 1, 1993, despite the Federal excise tax increase (they later announced that they would increase their list prices). In order to maintain adequate inventory levels of Forsyth product, RJR was going to issue a credit memo of \$2.00 per thousand less 3.25% for one weeks' average purchases. They also had announced a new Direct Account program called "Retail Feature Program" for Best Value and Monarch. RJR is asking Direct Accounts to make payments for their new retail payment of 80¢ (formerly \$1.10) per carton to qualifying retail participants. Direct Accounts will be reimbursed 85¢ -80¢ "off invoice" and 5¢ (service administrative fee) via a monthly credit memo. Trade response to this program is unavailable at this time.

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Forsyth Products Price Increase

RJR rescinded their previous announcement that they would not be increasing the list price of Monarch/Best Value because of the 1993 F.E.T. tax increase. Effective with shipments 1/4/93, the list prices of all Forsyth Tobacco Products will be increased by \$2.10 per thousand. New list prices: 85mm-\$6.54 100mm-\$6.79

B. BROWN & WILLIAMSON**1. Promotions**

- Viceroy**
- 30¢ & 40¢ pack coupon and stickers. (11,13,14)
 - 50¢ off pack (14)
 - B1G1F (11,14)
 - \$3.00 and \$2.00 on-carton coupons. (11,13,14)
 - \$4 ctn coupons (14)
 - 50¢ off pk (14)
 - lighter w/1-pack purchase (14)
- Kool**
- 40¢ and 50¢ pack stickers and coupons. (11,14)
 - 50¢ off stickers on Kool Milds. (11,13,14)
 - B1G1F (13,14)
 - 75¢ off pk (14)
 - Kool 1 pack with lighter (13)
 - \$3.00 on-carton coupons (11,14)
- Capri**
- 50¢ off pack stickers. (11,14)
 - B1G1F (14)
 - \$2 Ctn coupon (13,14)
- GPC**
- 20¢ off pack coupons and stickers. (11,14)
 - Buying down to \$8.99 a carton in Maine. (11)
 - \$2 ctn stickers (14)
 - 25¢ off pk coupons (14)
 - 15¢ pk VPR stickers (14)
 - \$1.50 buydown on GPC - paid with whatever coupons are available. (13)
- Raleigh**
- \$2.00 and \$3.00 on-carton coupons. (11)
 - Buying down to 95¢ a pack on Raleigh Lights in Maine. (11)
 - \$2.00 off a carton and 20¢ off a pack on Raleigh Extra. (11)
- Richland**
- \$3 ctn coupon/30¢ off pk (14)
- Raleigh Extras**
- \$2 ctn coupon/.20 off pk (14)
 - \$2.50 ctn coupons (14)
 - VPR buydown to GPC price

2. Merchandising/Fixtures**Section 11**

In Maine, we have seen some activity with a new incentive/springload fixture. It has been placed in only two accounts so far and is being used primarily to promote GPC. We are awaiting a picture and will forward as soon as possible.

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Section 14

During the month of November, B&W was offering a Retail buy-in program on full margin brands. The retailer received \$1 for every carton purchased with no maximum allowances. Large quantities of Kools were seen at wholesale and retail.

Sales Reps have focused mainly on price value and GPC brands in the South Jersey area.

Outside banners for GPC have been placed in the Allentown area with a \$10 payment to the retailer for placement. This advertisement has caused the decline of Basic, FVB and Bristol sales.

3. Sales Force Activity**Section 11**

Permanent POS placement activity on the rise (street talkers, metal signs, various clocks and decals). Payments for a change mat placement range from \$7.50-\$15.00/month.

Like RJR, they are trying to buy down GPC to the lowest price in the store. They have been successful in targeting some high volume Black and White accounts. Penetration is still low with many Retail Masters accounts refusing to allow them to buy-down lower than our Black and White.

Section 14

Three Sales Reps in the Scranton/Wilkes-Barre area were budgeted \$10,000 each for GPC to sell product to high volume independents with a \$2 VPR sticker per carton.

Sales Reps in the Scranton/Wilkes-Barre area were instructed not to spend any money on promotional payments for the last 2 weeks of '92. This was also confirmed by reps in the Harrisburg area and the Altoona-Johnstown area.

4. New Products**5. Other****Section 11**

Feedback from wholesalers indicates a favorable response to B&W's buy-in program. Approximately half in the Hartford district have purchased 100% of their allocation.

B&W Sales Reps are now being given the option of choosing either a full-sized van or a Ford LTD Crown Victoria as company vehicles.

C. AMERICAN**1. Promotions**

Misty

- B1G1F (11,14)
- 15¢ pack stickers and coupons. (11)
- 30¢ off pack stickers on new Ultra Lts.
- \$3.00 off per carton (13)
- \$3 buydown from invoice ongoing (14)

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- Montclair
- On-carton coupons at \$4.50 and \$3.00 denominations. (11)
 - Pack stickers/coupons at 30¢ and 35¢. (11)
 - Free lighter with 1 pack purchase. (11,13)
 - B1G1F (11)
 - \$2.00 off 5 pack purchase. (11)
 - Free travel mug with 2 packs. (11)
 - \$4 buydown from invoice ongoing (14)
 - \$3 ctn coupon/30¢ off pk coupons (13,14)
 - 25¢ pk coupons (14)
 - Montclair is rebating \$1.00 per carton to retailer purchased from reps. (13)
- Bull Durham
- B2G1F pack offer. (11,13)
 - \$2.00 on-carton coupon. (11)
 - rumored to be priced as black and white sometime in '93. (13)
- Riviera
- B1G1F pack offer. (11,14)
 - 30¢ pack stickers. (11,14)
 - buydown of cartons to \$10 (14)
- Prime
- Has been seen at retail with 15¢ stickers on packs. (11)
- Carlton
- \$3.00 on-carton coupons. (11,14) w/mail-in for desk set (pen, pencil & paper cube)
 - 50¢ off per pack with bounce-back for consumers to submit a competitive empty pack in return for \$10.00 off on cartons of Carlton. (13)
 - Carlton currently being prebooked to arrive at retail week of 1/11/93 with \$3.00 off per carton. (13)
- Pall Mall
- \$2.00 on-carton coupons. (11)
- American
- \$2.00 on-carton coupons. (11)

2. Merchandising/Fixtures

Section 11

Distributor Sales Forces continue to place Prime in the field using any and all available merchandising fixtures. American is closely monitoring displays being shipped to the distributors and reorders are not being filled. This has not had any impact against our FVB lines to date.

Section 14

Cartons of Montclair (1,000) were sold into a mega volume border store, Bartco Penn (5,600 cpw) with a discount of \$6.50 per carton. Coupons of \$2 value placed on Montclair product in District 73.

Proof of purchase was needed for mail-in offer for 1993 calendar. Mail-in provides calendar and \$24 worth of coupons, a \$2 carton coupon for each month.

All king size packings of Malibu product have been discontinued.

3. Sales Force Activity

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4. New Products**Section 14**

Misty Ultras are available at the wholesale level. Misty Slims Ultra will conduct a sales force contest with monetary awards for the winners.

Private Stock net profit to retailer at Bartco Penn is \$2.03/ctn vs \$1.54/ctn on full margin product. Private Stock holding price and giving \$1.35 rebate allowance. Product is doing well and hurting Marlboro sales at CR Friendly Mkts; Marlboro is down 4%.

Section 11

Misty Ultra continues to gain distribution at retail. Feedback from our sales force indicates approximately 40% distribution with minimal sales movement.

5. Other**Section 14**

American is establishing an advisory board for American upper management and principals of distributors. Norman Dressler of Klein Candy has been ask to participate starting in 93'.

D. LIGGETT & MYERS**1. Promotions**

Lark - \$4.00 on-carton coupons, B1G1F pack offer. (11,13)
- \$4 ctn stickers (14)

Eye - \$3.00 & \$4.00 on-carton, B1G1F pack offer (11,13)
- \$4 ctn stickers (14)

Chesterfield - \$4.00 on-carton coupons, B1G1F pack offer. (11)
- B1 ctn G1F, new filters (14)
- \$4 ctn stickers (14)

Pyramid - \$3.00 & \$4.00 on-carton coupons. (11)
- Buydowns up to \$6.00 per carton. (11)
- \$3.50 ctn coupon (14)
- \$4.50 ctn VPR (14)
- 99¢ VPR stickers (14)

L&M - \$3.00 & \$4.00 on-carton, B1G1F pack offer. (11)
- B3G2F, 30 unit display, all styles (14)
- \$4 ctn stickers (14)

2. Merchandising/Fixtures**Section 14**

Three dollar coupons placed on all full margin and price value product in District 73.

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3. Sales Force Activity**Section 14**

Two Sales Reps in the state of NJ have resigned their positions. The company plans to operate with only 6 Sales Reps for the entire state of NJ for 1993.

4. New Products**Section 11**

Liggett has begun to reintroduce Chesterfield with new bolder and brighter packaging.

5. Other**E. LORILLARD****1. Promotions****Newport**

- B1G1F (11,14)
- \$3.00 on-carton coupons (11)
- Free lighter with 1 pack. (11)
- 75¢ off 1 pack of Slim Lights. (11,14)
- \$2 ctn coupon (14)
- \$4 off ctn, 25¢ per ctn to retailer, all packings (14)
- Newport Slim Lts. \$1.00 off 1 pack. (13,14)
- Newport Slim Lts. 1 pack with lighter. (13)
- Prebooking product for 50¢ off Newport (13)

Kent

- B1G1F (11,14)
- \$3.00 (14) and \$2.50 on-carton coupons. (11,13)
- 50¢ off pack (13)

Style

- \$1.25 off 2 pack coupons. (11)
- B1G1F (11)
- \$3.00 on-carton coupons (11,14)
- 30¢ coupons (11,14)

True

- \$3.00 & \$4.00 on-carton coupons. (11,13,14)

Heritage

- \$1.00 off 1 pack purchase. (11)
- S/F has received direction to deplete Heritage inventories. This is being accomplished by a maximum of a \$10.00 reduction off carton price. (11)

Old Gold

- \$4.00 on-carton coupon. (11)

2. Merchandising/Fixtures**Section 14**

All packings of Heritage have been discontinued in the NJ market. All remaining product at retail was converted to 2 for 1 product.

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3. Sales Force Activity

Section 11

Reps are actively placing change mats throughout the Boston market.

4. New Products

5. Other

IV. CUSTOMER DEVELOPMENT

Section 12

Retail Masters

United Refinery (Kwik Fill - 307 stores) has asked Philip Morris to come back to the negotiating table to discuss Retail Masters in mid-January.

Woolworth's - Of the 245 stores signed to Retail Masters, only half have been implemented, mostly due to Woolworth manager refusal.

Adventure Team

Mobil Oil - Meetings between PM personnel and Mobil Corporate Managers have been held in the Buffalo and Albany Districts to coordinate details and build excitement for the Adventure Team. These meetings were a big success, and as a result we will make future attempts to conduct these kinds of meetings for other important accounts.

Sleeve Double The Miles - FSF personnel are beginning to hear feedback from non-Retail Masters accounts that are interested in receiving MAT sleeve product. Their interest has peaked to the point of requesting Retail Masters follow-up presentations. It is apparent that our leveraging of the Marlboro franchise is beginning to reap its planned strategic benefits.

MAT - Wholesalers in Vermont are interested in some type of distributor program for the Marlboro Adventure Team, so their sales forces can also win miles. Their desire provides Philip Morris USA with the opportunity to use O.P.T. (Other Peoples Time) in making MAT the biggest thing ever to hit retail. With full-blown distributor support we would be able to enhance our efforts at retail with the help of a motivated distributor sales force. Section 12 suggests that we develop vouchers for miles that can be awarded to distributor personnel by our FSF in either a national or locally developed program.

Section 13

NCC Golden Capital has accepted an RJR private label (Directors Choice); this will replace Basic as the preferred black & white brand at Golden.

Southland - During the month of December, we implemented a full margin flex program which helped focus on full margin sales. The MAT program was a problem with Southland Corporation in Dallas, in that they do not want to participate in price off promotions. After considerable delay at Southland, they agreed to endorse the program without the price off issue. Sales Reps will be prebooking each store individually. Feedback so far has been very positive.

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We have evaluated Southland's sales figures and, to date, sales have grown by 6.39%. All 7-Eleven stores were shipped P.O.S. via P.M. Express for the MAT program. SAM Kevin McVeigh is in the process of ordering all the overheads for this account. The Marlboro 5-Pack continues to do well.

Waldbaum's - To date, 31 stores have carton fixtures with additional units to be installed next month. Stores are becoming more accustomed to loose pack sales and are looking to promote the category. MAT product has been shipped and S/R's are following up with P.O.S. placements. Waldbaum's is participating with the co-fund portion of the program. We are still having problems with the roll top doors on the pack fixtures. Some stores have required repeated service calls from the R.M.'s. Harbor will be contacted with the status on new doors.

King Kullen - They have accepted the MAT 2-pack co-funded sleeve and a price off kit to communicate program to the consumer. This is the first time this account has participated in a price off type promo.

Section 14

7-Eleven - The execution of the C.V.C. program has been poor in delivery and placement. Some stores refused unit once it was in place, 30%-40%. The stores were not fully aware of the program and its requirements.

Acme - Appointment this week to finalize details of Retail Masters contract. It is promising that the 120 self-service stores will be signed to a M3 contract. Acme is concerned that PM will not be able to meet installation dates for fixtures.

Affiliated Foods - Participating in MAT, B&H Sp. Kings 2 for 1 and Marlboro Med. B1G1F promotions for the first time.

Comet - Participating in the MAT program with 100 carton shipment to each store. This is the first time they have participated in a PM program in the last 2 years.

Cooper Booth - Account wants a FVB brand. They would like to have 3 competitive House brands.

C.R. Friendly - Has increased cpw sales from 102 to 205, and growing, since they reduced their prices to state minimum in July. Private Stock represents 12% of the cigarette business. PM's share has declined, 47% to 41%.

Gateway-Altoona - Reports that Jacks is the fastest growing brand but has not surpassed Marlboro but in a strong 2nd position. They have experienced new volume because Jacks and Sebring have attracted new consumers to Sheetz and Uni Mart stores. All product categories in these chains have increased in sales. PM's business is down -6.2% despite full participation in buy-in program.

Keyco - This account would be interested in carrying a minimum number of black and white brands. They want a brand that is competitively priced to sell to the many institutions they service. Basic is carried, but the account wants to be able to take advantage of the monies we have available to the retail accounts we contact. In order to take this market back from the private label surge, we need access to promotional monies for the wholesaler to sell more Basic along with PM FSF.

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L.F. Widmann - Account has split into 2 accounts because of different merchandising philosophies. L.F. Widmann (62 PA stores) will remain as the same name because they are controlled and product is shipped from L.F. Widmann warehouse. The new account will be named L.F. Widmann Value City (29 stores located out of PA) and supplied by 16 different suppliers. This action will alleviate lots of administrative work and also allow for separate objectives because the out of state stores do not participate in Retail Masters.

M. Brenner & Sons - This account has tendered an offer for buyout from Commons Brothers, Long Island, NY. This a large pharmaceutical company that wants to expand into the PA area. Brenner's feels that company will invest money into the tobacco business and become aggressive in order to build business. Brenner will start to stamp product on demand. This will help to reduce the number of SKUs and allow for expansion into other states. The participation in the buy-in programs was low due to the upcoming takeover. They have been instructed to buy only major brands and save money to invest in pharmaceutical inventory.

Miller (St. Clair) - Account has contacted Genco about a private label from PM.

Rite Aid - Declined participation in the MAT 2-pack sleeve promotion because of administrative complexity to cofund due to Rite Aid's zone pricing and no vehicle to reconcile the price reduction. The account participated 100% in the buy-in program in all 5 warehouses.

Riverside Wholesale - Participated 100% in all 3 buy-in programs. Ordered an additional 420 cases of MAT 2-pack product that was not a part of their buy-in purchases. Account will not cofund due to complexity of program, coordination of zone pricing, no manufacture coupons/stickers to reconcile the price reduction. YTD sales are down due to loss of price value business. Basic still not accepted because PM's program is not competitive with RJR's.

Peter J. Schmitt Co. has presented a plan to sell itself to three of their largest competitors in bankruptcy court on 12/10/92. Published reports rumor the potential buyers to include Tops Markets, Scrivner (Jubilee Foods -formally Super Duper) and Penn Traffic (Quality Markets). Subsequently, the U.S. Bankruptcy court will decide in January if Bells stores can be sold to Scrivner, Tops Markets and Penn Traffic. Scrivner has gone after 33 of the 61 Bells locations in hopes of appealing to customers that prefer to shop at smaller grocery stores in the Buffalo District. Tops is rumored to be purchasing 15 of the stores. The fate of the P.J. Schmitt Warehouse facility remains unknown.

Section 11

Brooks Drug (350 stores) has agreed on the final revisions of the PM prototype rack to include the principles/values of Retail Masters. A meeting was held with VP Dave Morocco, Merchandising Manager Marty Kovick, and Buyer Barbara Donnellan and all revisions were agreed to. After checking with our rack supplier, we informed Brooks that we will need 15 weeks lead time to receive all necessary pack fixtures.

Irving Oil- Mainway has recently signed to Retail Masters. Previously, they were a grandfathered account. We received competitive pressure from RJR, who offered a substantial amount of money to this account, but not enough to change their minds on the principles of our program.

DB Mart/CT Petroleum- DM F. Castricone and UM K. Smith will be conducting a Retail Masters seminar for chain personnel in January. The purpose of this seminar is to educate account personnel on Retail Masters and expected changes in the stores that will occur with the implementation of this program.

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Waldbaum's Food Mart (43 stores) has rejected our Retail Masters proposals and has indicated that they want to maintain RJR pack fixtures in prime position, while slotting PM in secondary places.

Richdale (49 stores) - Richdale has agreed to place a non-paid full margin display (3-tier old style "B") for six months beginning January 1st rather than return \$7500 paid for the maintenance of PM overheads through the 4th quarter of '92. Richdale refused Retail Masters in favor of RJR's Preferred Presence Program, and as a result, replaced our overheads in September.

B-I's Wholesale (32 stores) - has accepted Basic for all clubs.

V. SECTION/REGION EVENTS

VI. ORGANIZATION/PERSONNEL

VII. MISCELLANEOUS

Section 12

IBM Workforce Reduction

IBM'S recent announcement of reducing their national workforce by 25,000 is anticipated to adversely impact businesses in the Binghamton-Endicott area. The economic impact that this will have on retail can't be determined until IBM further defines their plans.

Flex Fund

Sales Reps are in need of an increase in Flex Check denominations from the present \$200 to \$500. By increasing the maximum denomination we will be able to reduce Sales Rep administrative time in writing out multiple checks (we will also save admin. time for Richmond personnel -less checks). This will allow the Sales Rep to spend more time selling at retail and wholesale.

P.O.S. Items

There is still a discrepancy between accounts signed to Retail Masters, and accounts that are fully implemented because of fixture unavailability. Unit Managers are requesting additional FUNCTIONAL pieces of P.O.S. that would assist in gaining our visibility. P.O.S. that can be easily customized with store logos would provide added value to our partners in retail excellence.

Section 11

PM Express

We continue to have many problems with ordering and receiving materials through Madden Services. It appears as though every time we have a problem and we contact PM Express, they tell us they are working on it but it just never seems to get straightened out. When we speak with POS Hotline (NYO) they tell us that everything is working fine. Somewhere along the line, there is a communication gap. A recent example was PM Express short-shipping our distributors the Merit B1G1F shippers. We sent PM Express a spreadsheet with the allocation for the entire Section and they then sent shippers to wholesalers based on what they had, not on what we ordered. We were never informed by PM Express that any accounts would be shorted displays and only found out when the accounts started calling us and asking when the rest of their displays would be forthcoming. These types of situations continue to permeate all aspects of the Adventure Team promotion as indicated earlier in this highlights report. We are anxious to sit down with Mr. Kresek next week to discuss all of these problems and see what solutions have or will take place to rectify these issues in the future.

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REGION 2 MONTHLY HIGHLIGHTS DECEMBER 1992

I. <u>Volume (12/31/92)</u>	<u>Month</u>	<u>YTD</u>	<u>% Change YTD</u>
Marlboro	3,574.3	26,324	- 2.6%
Full Margin			
Price Value			
Famous Value Brands	166.3	1,348	100.0%

II. PM U.S.A. BRANDS

A. NEW PRODUCTS

Marlboro Medium 100's - Sales continue to be slow and promotion driven. In areas where B1G1F, B2G1F, or \$4 carton coupons have been used, movement has increased. South Florida has recommended that ongoing promotions be maintained through mid-1993 to increase and firm a customer base. MAT should be helpful to this packing as well.

B&H Special Kings - Sales have remained slow, with reports of some retail outlets now returning product to wholesalers, and some accounts that have never accepted product due to money off pricing. However, several areas report that use of incentive with pack purchases have had a definite impact on sales. Greenville District reports that B&H hat had an especially strong impact but were too limited in quantity to have much overall affect. Also several districts have commented that sell of product is increased in direct proportion to the amount and visibility of P.O.S. Reports throughout the Region indicate that initial \$4/40¢ product is still at wholesalers and retail.

Marlboro 5 Pack - Throughout the Region reports of retailers being hesitant to reorder product without promotions. Many retailers continue to perceive the 5 pack as a promotion rather than a new packing. In Section 23, surplus incentives are being used to drive sales. The party lighters were very popular as an incentive. Section 21 reports that no lighters have been found on location since the recall. Section 21 also reports limited success of co-funded program. Retailer resistance to co-funding is prompted by already low profit margins and manufacturers averaging 3 price increases per year. Section 22 reports heavy movement generated by \$2 coupons, however they report that many retail accounts are ordering 5 pack in lieu of 10 pack cartons. Different price structure also seems to present a problem in many areas.

Virginia Slims 10-Pack - This new packing continues to cause some confusion both for retailers and consumers. Difficult to change the perception of the 10 pack as a promotional/sample product. Section 21 reports that hand stamping of product at wholesale was very time consuming. Price Company (Hampton, VA) refused to place an additional city locality stamp on this product due to time involved, limiting sales to state localities. All Sections report that retail is objecting to additional pricing tier. Scanning stores are refusing the product in Section 22 and non-scanning stores are complaining about setting up the additional cash register key. Section 23 reports retailer reluctance to accept packing without incentive and notes that a national launch should be carefully considered. Section 24 notes that with all of the promotions currently offered the V.S. 10's are the last thing that the retailers want to accept mostly due to the additional price tier problem, however, with incentives they are willing to accept.

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B. FULL MARGIN

Marlboro - MAT Program - MAT product is arriving at retail. 2 pack is very popular with reports from some Section 22 accounts of selling out of 2 pack product even before displays were placed. Section 23 reports that all 2 pack MAP product and display allocations have been depleted. With few exceptions, force outs are arriving as scheduled. Section 23 also reports that some problems with PM Express have resulted in delay of display shipments. The advertising in advance of this program seems to have been a tremendous success as there is much retail and consumer excitement about the program. Tampa market notes that 75% of their accounts still have non MAT product. Need UPC MAT overlays to remedy this situation, otherwise will be returning tremendous amounts of non-MAT product to wholesalers. Section 22 reports S/R's who ordered Aisles and Miles program kits reporting tremendous enthusiasm at retail. Several large pieces of P.O.S. have been placed as a direct result of these certificates. Section 22 also reports concern over M.A.T. catalog, in that when compared to "Camel Cash: Volume III" our selection is quite limited in variety; it is hoped that the catalog will be on-going and growing to add variety.

Virginia Slims - Defense program in Section 21 is successful. 40 unit displays selling out within a week; 50¢ off 2 pack promotion success was based mainly on the Book of Days offer. "Dollar" amount did not compete closely with the competition (Misty and Style featuring 50¢ off 1 pack). As always the new graphics are causing some consumer confusion in that they perceive a flavor change. Section 24 reports recent promotions and incentives such as belt bag, cosmetic bag, jewelry roll and boxer shorts have done well at retail and have increased sales as well as visibility. Orlando market reports Book of Days well received at retail with sell-out in 4 to 5 days. S/R Tim Lamb (25-06-05) recommended Section 25 extend the 50¢ off 2 pack with bounce back for Book Of Days into pack outlets for exposure there.

Merit/Merit Ultima - Section 21 notes that \$4 off carton Holiday promotion increased movement during December. Section 25 reports that 2/1 product sold out in 2 to 3 days in most accounts. Merit Ultima needs additional support. Many retailers still have initial product in stock and are irritated that they have money tied up in this slow moving brand. Accounts that have sold all the initial Merit Ultima are not reordering due to the slow movement.

C. PRICE VALUE

Bucks - While the introduction of this brand was very promising, sales have declined tremendously due to lack of promotion in this very competitive price tier.

Bristol - Sales declining due to change in price structure, since it previously competed in the lowest price category, Bristol smokers would clearly be in the most price driven category.

Cambridge - Driven by \$4 and 40¢ coupons/stickers. Gaining ground in some areas with constant support. In Seminole Smoke Shop sales were up 31% over the past two months with \$4 coupon support. Pyramid and Montclair have recently come in with a \$4.50 coupon but so far it is not impacting Cambridge; it is however having a negative impact on Doral, Viceroy, and Richland.

Alpine - Driven by \$4 and 40¢ coupons/stickers; does well in urban accounts when couponed to meet competition.

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Basic - Section 21 reports little support from wholesalers due to more terms offered by Best Value, Private Stock, and Best Choice. Since these brands are heavily promoted by Wholesaler sales force as well as cash and carry outlets, Basic product must remain price competitive to maintain and gain incremental sales. Section 23 reports efforts continuing to execute new distribution strategy on Basic. Coupled with distribution, it is imperative that pricing be competitive with other black and whites. Section 23 also reports that in many cases Basic continues to be as much as 50¢ higher than Monarch and Best Buy. Section 24 reports sales continue to grow with the \$1.60 support program and that the new 80¢ retail program should meet competitive offerings.

D. FAMOUS VALUE BRANDS

The deep discount/private label business continues to be extremely competitive with even a 5¢ price difference having a major impact on sales. Most of these brands are merchandised in dump bins with retailers utilizing price call-outs for the one or two brands that they are most interested in supporting. As always this segment continues to have a major impact on full margin sales.

Premium Buy - Section 25 reported full distribution in Handy Way and Walmarts. Movement slow in Walmart with pricing at \$13.10 per carton versus \$11.00 per carton on Cambridge and Doral.

E. SPECIALTY BRANDS

"Canadian Players" approved at Certified Grocers and will be communicated to the field as soon as line numbers are available. McLane Suneast accepted four packings: Filter Regular, Lights KS, Lights Regular, and Extra Light Regular. Brands are targeted to Circle K stores on an as needed basis.

III. COMPETITIVE ACTIVITY

A. R.J. REYNOLDS

1. Promotions

Winston - \$3 carton coupons; Wristwatch free with 1 or 2 cartons; 50¢ off 1 pack; \$1 off 2 packs; and \$1.50 off 3 packs; Buy 3 packs get Christmas tape; B1G1F prebooked for 1/93; Buy 3 packs get free pen and pencil set; 2 packs with bounce back offer for free film and processing; Winston Select B2G1F; Winston \$3 coupon logo reported in Section 22 "Make it worth a Winston" and "Make 1993 your year"; In Section 22 reported Winston Select Starbursts "Marlboro Smokers - trade up to Select; New Smooth Taste". In Section 23 Buy down of 35¢ per pack includes a sweepstakes of \$50 worth of gas that is drawn monthly.

Camel - 1993 calendar with 2 packs; lighter with 2 packs; Triple Your Camel Cash with 2 packs; B3G3F; Buy 3 get free fishing lure; Buy 3 get free camouflage t-shirt; \$3 carton coupon; New Camel Cash catalog January, 1993 (13 pages with 51 items; in response to MAT). In Charleston SC billiards halls featuring "Crazy Eight" billiards tournament with full line of in store P.O.S. Entry fee is 5 Camel "C notes" or \$10.00 cash. Free Atlanta Knight Mug (Team Logo) with 2 pack purchase and coupon inside for 4 more Camel Cash dollars. \$1.25 off 2 packs (sleeved product).

Camel Wides - B2G1F; \$1.25 off 2 packs.

Vantage - \$3 carton coupons; \$3.50 carton coupons; \$4 carton coupons; 2 packs with lighter; 2 packs with ink pen; \$3 off carton; UL \$5 off carton 50¢ off pack.

Salem - \$3 and \$4 off cartons of Slim Lights; \$1.50 off 3 packs; 50¢ off 1 pack.

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Now- Ten packs in a Christmas Tin; \$3 off carton.

More - \$3 off carton; 2 packs with playing cards.

Doral - \$3.50 off carton; B1G1F; mail in offer for free carton with 100 pack seals; Section 23 reports \$6 coupons being placed at wholesale level; also retail buy down to 99¢. Section 25 reports that overall couponing stopped on this brand in December, however some 30¢ to 35¢ coupons/stickers used in selected Miami accounts to meet the competition. Cambridge is doing quite well with Doral's lack of coupons.

Monarch - Buy down payment through distributors both 50¢ to distributor and 80¢ to retailer. Section 23 reports buy down to 70¢ at retail.

2. Merchandising

In Richmond RJR is reportedly re negotiating carton contracts and cutting rows. Placing counter display headers stating "Step Up To Winston Select". New POS includes: new open/close signs, Camel and Winston neon's, and Camel and Winston clocks. Also in Richmond new dual counter balance with Winston on one side and Salem on the other. Retail Merchandisers turn around on placing overheads is 7 to 10 days.

Miami market reports RJR Reps concentrating on placing 3 permanent counter displays in high volume outlets: 1 for full margin product, another for product with incentives; and another for generics.

Orlando market reports Best Value offering separate contracts on carton and pack merchandisers. Reports are payment levels between \$20 to \$60 per month for a Best Value spring-load.

Reports of Retail Masters accounts in the Orlando being targeted for heavy POS, promotional floor displays, and pack/carton combos in an effort to take advantage of our lack of POS item and RM support.

3. Sales Force Activity

In Section 21 P/T Merchandisers have price gun and contact high volume p/v accounts twice a week in Section 21. Objectives seem to have changed from distribution orientation to selling product. Section 25 also reports that P/T has coupon gun but full time do not.

Also in Section 21 reports of quarterly sales contests where each divisions top three S/R's get \$500, \$250, and \$100 respectively. An estimated \$2,000 bonus is expected to be paid by 1993 year end to SR's in the Washington DC area (details not available).

Section 22 reports S/R's keying top 25 brands for higher volume accounts into computer monthly. P/T hours have been cut back in some areas to 24 hours/week or laid off.

Tampa market reports heavy switch selling with payment to retailers with coupons. Ft. Pierce area reports S/R's contacting select store for Friday switch sell purchases.

In Best Discount a retail masters account in Ocala, FL, RJR removed their carton and fixture and pack displays.

S/R in Orlando reports that RJR District Manager has been actively contacting independent locations to discourage participation in Retail Masters; most accounts feel that this activity will not sway their judgment.

Sales force conducting store sales in Baltimore area. Ask consumers to trade in one pack of Marlboro and receive two packs of Winston.

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4. New Products

Vantage Convertible Box - \$5 off carton and 50¢ off pack throughout Region 2. Overall reports indicate sales slow.

Austin (Sections 22 & 25) in Circle K stores at 69¢ per pack and \$5.99 per carton in Section 22; 99¢ per pack and \$8.99 per carton in Section 25.

5. Other

Tampa market reports RJR did a 10,000 carton blitz on all Winston product at Seminole Smoke Shop, selling out in approximately 3 weeks. Orlando Market reports RJR is telling accounts that Doral coupons will be back in force in January, using a \$4 denomination.

New vending program effective 1/93: Vendor must carry Camel, Camel Filter and Camel Lights (one packing must be a box packing) and will have three C-Notes instead of one; payment = \$410/month.

B. BROWN & WILLIAMSON**1. Promotions**

GPC - \$1.50 and \$2 carton coupons; being bought down to 99¢ in Baltimore area;

Kool - \$3 carton coupons; Richmond Market reporting 60¢ per pack while Washington Market reports 50¢ off packs; Revco featuring 60¢ off 2 packs of Kool's, discounts paid to Revco based solely on register data, no coupons or stickers involved; however signage is a requirement. Kool 3-pack/t-shirt; B1G1F in Section 22; 1 pack with lighter in Section 24.

Capri - B3G3F; B3G2F; B3G free surf hat

Viceroy - \$3 carton coupon; 30¢ pack coupons; B1G1F; UL - B1G1F; B3G free coffee mug in Section 22; 1 pack with lighter in Section 24. In Miami market \$2 to \$2.50 off cartons and 20¢ to 25¢ off packs.

Savannah - B1G1F; \$3 off cartons

2. Merchandising

20 unit permanent counter displays and packet change mats featuring Savannah.

Baltimore area flooded with GPC banners.

In Winchester, VA upgrading counter displays to accommodate more packings, including GPC.

Section 22 reports rumor of new contract.

3. Sales Force Activity

S/R's worked hard to exhaust coupon supplies before year end.

1 part time person per S/R; S/R's with high volume accounts have 2 part time people.

Part-time person in Smithfield VA awarded "Good Work Award".

Section 22 reports that B&W reps were instructed not to work in a retail call if it was being serviced by a competitive rep.

Section 24 reports that Reps will be assigned chain accounts in January, 1993.

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Section 25 reports that apparently B & W used Viceroy load-ins at retail to push up 4th quarter volume.

Viceroy Golf Bags were raffled off at a store sale at Rite Price in Leesburg, FL.

4. New Products

Savannah Slim Lights showing slow movement at retail. S/R's placing \$2 carton coupons and 50¢ pack coupons to stimulate movement. Section 22 reports that due to the similarity in advertising to Virginia Slims, consumers are asking if it is PM product.

5. Other

Food Lion discontinued Raleigh Lts KS and 100's; Richland Lts., and American Lts.

C. AMERICAN

1. Promotions

Misty - \$3 carton coupons; B3G2F; 30¢ off packs; UL B1G1F; \$1.50 off 3 packs

Montclair - \$3 carton coupons; B3G2F; 30¢ off packs; Section 21 reports \$4 carton coupons and a few instances of \$5 carton coupons in some Mega volume accounts; \$1.50 off 3 packs. In Orlando area reps soliciting heavy Montclair program - \$4 buy down on 200 carton orders and \$5 buy down on 400 carton orders; one time deal, merchandised wherever possible.

Riviera - \$3 carton coupons; B3G2F; 30¢ off packs; B1G1F.

Carlton - 50¢ off 1 pack; free lighter with 2 packs; \$3 coupon on 60 carton display in Food Lion.

Pall Mall - \$2 carton coupons and Buy 1 carton get 2 free packs.

Prime - In Section 22 70¢ per pack and \$5.49/\$5.79 per carton.

Bull Durham - B1G1F.

2. Merchandising

New 200 unit permanent counter display featuring exclusively Montclair and Misty.

Food Lions have installed semi-permanent Montclair/Riviera floor displays.

In Baltimore Inner City accounts, Riviera is being merchandised using suction cup displays.

Billboards in urban areas (Baltimore) are featuring Montclair.

Section 22 reports heavy usage of floor displays with \$3 coupon on Monarch.

3. Sales Force Activity

Part-time merchandisers contacting accounts twice per week.

Report of increased hours for part-time people.

Miami area reports one part-time person per unit to help out with couponing.

4. New Products

Riviera - B1G1F sales are slow in Miami Market.

Misty UL - introduced with B1G1F.

Prime and Private Stock - (Black & Whites) being worked by wholesalers in Orlando market to high volume PV outlets. Brands are not being worked by sales force. Independent Wholesale is very aggressive with Prime in independents.

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5. Other

Rumor that coupon redemption will switch from Nielson to AOR (same company used by RJR).

D. LIGGETT & MYERS

1. Promotions

Chesterfield - (New Packing) B1G1F in 20 or 40 unit displays reported to sell out in 3 to 5 days in urban Baltimore. Section 21 reports buy 1 carton get 1 carton free promotion (taped together by S/R's). \$1 off cartons in Section 22.

Lark - B1G1F; \$5 carton coupons in Section 24 slow. KS with buy 1 carton get 1 carton free in Section 25.

Eve - B1G1F; \$4 off cartons; \$5 buy down in Palm Beach County impacting VS 120's also selected accounts receive \$4 VPR with an additional 5 free packs attached.

Safeway Savings Club Members receive \$4 off any Liggett product in store with in-store advertising promoting this feature (Section 21).

Pyramid - \$2 carton coupons (up to \$5 carton coupons in some mega volume accounts); \$4 off cartons in Section 22.

2. Merchandising

In Section 24 some POS activity in chains (posters, talkers) for Eve.

Chesterfield advertisement on packs, cartons, and billboards as being produced by the "Chesterfield Tobacco Company" in Section 21.

3. Sales Force Activity

Section 21 reports that a Nationwide goal of 2,500 cartons of full margin sales per week is felt to be unattainable by SR's.

Section 25 reports sample 20's used by reps at a popular truck stop in Ocala. Chesterfields are sampled on selected days from 5:00 p.m. to 9:00 p.m.

4. New Products

Package changes on Chesterfield appear to have no impact at retail.

E. LORILLARD

1. Promotions

Newport - B1G1F packs; lighter with 1 pack purchase; \$3 off carton; 50¢ off 1 pack; 75¢ off 1 pack (Tidewater); free hat with 3 packs in Daytona area.

True - \$3 and \$4 off cartons

Style - B1G1F; 30¢ off pack; 75¢ off pack in Section 22; B1G1F with additional 20¢ off in Section 25; \$2 and \$3 off cartons.

Heritage - \$10 buy down per carton (consumer cost of \$4) to deplete inventories in Sect. 21.

Kent - \$4 off in high volume Section 22 accounts; B1G1F in Section 25

2. Merchandising

Semi permanent 100 carton Style displays reported in West Virginia Market.

Semi permanent display for Style also being placed in Kroger for three months.

3. Sales Force Activity

Soliciting accounts to gain space for Style in p/v departments.

S/R's making special coverage to promote Newport exclusively in the Tidewater area.

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Section 24 reports that slower selling packs are rotated by comparing warning labels. S/R's pushing for #2 locations for counter display placements with some instances of walking away if not obtained (Section 25).

4. **New Products**

Newport Slims - prebooking in Section 25 for introduction in January. In Section 22 this brand is not selling well even when promoted.

Harley Davidson - Nationwide introduction anticipated during first quarter 1993 as a generic.

IV. **CUSTOMER DEVELOPMENT**

Crown Fast Fare Northern Division (180 stores) - Crown's volume has been re-verified and only associated contract can be offered. Charlotte has been dissolved and stores are split between Richmond and Atlanta.

East Coast Oil (44 stores) Retail Masters signed at M-1 level. Custom signage being negotiated and new counter display on order.

Fas Mart, Inc (40 stores) - CF P/V displays arrived and will be placed within next 30 days. POG's being revised since fixtures have 30 slots instead of 40 as ordered. PM will gain distribution of 7 packings of Cambridge and 1 packing of Alpine. Counter displays still on order.

Super Fresh (51 stores) - PM has placed a bullet front-end package fixture in one store to halt the placement of RJR front-end fixtures. More of these fixtures are needed.

Stop-In Foods (42 stores) - Will not sign Retail Masters due to refusal to move RJR to place PM at the #1 register. Signed a contract with American on P/V, which pays close to \$180/month for carton and pack displays.

Richfood, Inc. - Although MAT product has been accepted, there was a delay in setting product up in their system since there is no scanning bar for product.

Wetterau - SR's having difficulty obtaining velocity report to verify Retail Masters volume.

Jeff Mart (4 stores) - agreed to reduce competitive counter displays by 4 and floor displays by 2.

Gateway Foods - Retail Masters presented for newly acquired IGA stores.

Super K (Charlotte) - Marlboro Medium 100's B2G1F cartons sold 240 cartons in 5 to 7 days.

Phar Mor (Charlotte) - located on Eastway Drive closing effective 1/93.

Eli Witt Savannah, GA - will stop handling SC product in February '93. All orders will be handled by Eli Witt in Columbia, SC.

Kroger Atlanta - agreed to POG's for carton fixtures in self service locations. Reps will do special programs to implement.

Cub Foods - Custom carton fixture racks have been placed in all 9 locations. Accepted MAT 2 pack product in all locations.

Tiger Mart - SR attended group manager's meeting to present Retail Masters and MAT. Both programs were accepted.

Peyton SE - Successfully shipped 3,000 cases of MAT product with UPC's attached for scanning product.

Kroger Nashville - accepted 450 cases of MAT product all of which is co-funded.

Mapco - South Eastern and Western Travel Regions participated in MAT and co-fund program. This was a first time acceptance for a western Region.

Winn Dixie Atlanta - Approved 36 new POG's for implementation to comply with Retail Masters. PM will occupy 3rd, 4th, and part of 5th shelves. A follow-up is scheduled to get 5 pack approved in this account.

Racetrac - OPM's have been ordered and we are awaiting delivery to execute final phase of Retail Masters.

Texaco - Pump toppers have been approved and ordered to complete POS area of Retail Masters.

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Winn Dixie (Jacksonville FL/97 stores) Marlboro 5 pack selling well overall. Continue to see product displayed in self service stores.

Section 24 reports several phone calls received over holidays from Distributors regarding Federal Excise Tax implications and price structure on Cambridge, Alpine, Bucks, and Bristol. Many are confused at the various price approaches being taken by the tobacco companies.

McLane Suneast - SAM conducted Wholesale Masters Review with President, covering 2nd and 3rd quarter performance and outlining promotions to improve RSL's for the 4th quarter of 1992.

Pace Whareshouses - B&H Special Kings product was sold into 3 Pace Warehouses in the Tampa/St. Pete area in an effort to reduce overstock of 40¢ off product from the introductory period. Program was developed which would offer accounts 2/1 product if they bought the same amount of off-price product. Retail accounts were informed of this program via Telemarketing during coverage.

Bud's Warehouse (Leesburg, FL) Grand opening - 6,000 assorted Marlboro incentive items with 1,000 cartons pre-booked to kick off this new outlet. 100 cartons were sold in 6 hour period. Remaining incentives were left for permanent promotions and some sent to Bud's in Plant City.

Unit 25-06 reports great success in vertical merchandising of PM product on RJR fixtures, specifically in beverage stores.

Chevron Trade Show in Orlando was great success with emphasis placed on MAT and Retail Masters presentations to non-participants.

Certified Grocers, Ocala FL in process of setting up an SR cash counter for all area reps to use beginning in 1993. Procedures to be used were recommendations from Eli Witt and local PM reps.

Eli Witt/Certified - Strong rumor that Eli Witt corporate will move to Certified, with the sales and marketing team to remain in Tampa. Existing Certified personnel will remain at a "branch level" function, with the company to be called Certified Grocers, a division of Eli Witt Company. Strong possibility the Orlando, Gainesville, Tallahassee and Savannah branches will close March 1993. SEC approval for the merger is expected in 3 to 4 weeks.

Eckerd Drug carton resets on schedule and 100% complete. Average 3 to 5 hours per location to complete project.

V. SECTION/REGION EVENTS

In Section 21 accounts attended the special invitation by PM to the "Nutcracker" in Richmond, VA on 12/11/92. Formal reception was held afterwards.

District meeting conducted in Savannah prior to holidays. Flex Fund, District Objectives, and Business Overview all addressed. Pre-positioning for Marlboro Adventure Team well in place with detailed coverage plans in place.

Miami Market Managers, including RMM, conducted seminar to SR's and RM's in this market on the "new" assessment process. New process was explained by the managers on a page-by-page basis. Brief role-play followed showing reps what actually takes place during assessments. Also discussed the STAR technique. Acceptance of this seminar was so good that the District Managers from Orlando and Tampa requested seminar for their reps. Miami District Managers and Retail Merchandising Manager delivered this 2nd meeting to sales force from Tampa and Orlando. Now all reps in Section 25 have a better understanding of the assessment process and STAR.

VI. ORGANIZATION/PERSONNEL

Retail Merchandiser Jim Berstling accepted new position of Special Representative for Miami Market effective 1/1/93.

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VII. MISCELLANEOUS

Section 21 reports SR's and managers very frustrated with PM Express. Ordering taking excessive time due to bad connections and system down time.

7-Eleven/Highs - New CVC has gotten negative reviews from PM SR's and 7-Eleven store personnel. Several indicators are as follow: signage for the unit is Camel; Rack quality is poor, plastic too thin and moving parts break easily; and the drawers to merchandise the cartons are too few and not visible. Store Managers are not comfortable stocking the pack section due to pilferage. Temporary signage has been requested to increase awareness of promotional activity (current video promotion sales are slow due to poor communication of the offer).

Section 21 reports that Friday meeting have been viewed as a good vehicle to share ideas and improve communications.

Section 22 reports that Section-wide return of Marlboro Party Lighter is underway. It is unfortunate that this high quality incentive is being recalled as it has definitely sold a lot of product for us.

Section 22 also reports sales force members just now receiving MAT parkas, and this could not have come at a better time in terms of improving morale and giving an appropriate kick-off to the Adventure Team. With the EPA report just issued and the stock price falling in recent days, the gift of the parka was very timely and much appreciated.

Section 23 reports mounting frustration with lack of availability of RM hardware. Independent accounts are bearing the brunt of this disparity.

Section 23 also reports Reps continue to express dissatisfaction with PM Express primarily due to time required to place orders. Also, items are reported out of stock as Reps attempt to order on the first available order date.

Section 24 reports continued late mailings of MAT pre-books during Christmas holiday from out of Section. These were expedited immediately, but probably too late for December delivery.

Section 25 reports Retail Masters accounts expressing concern over extra quantities of regular promotions as promised during our presentations. With current allocations, we do not have sufficient quantities to achieve penetration, let alone leave extra for Retail Masters accounts. This situation needs addressed.

Marlboro Loot co-fund program implemented in all 48 Kwik King stores. 3,840 cartons forced out. Sales OK, but redemption of coins very poor at Kwik King and Handy Way stores. Customers possibly keeping g coins for souvenirs.

Section 25 also reported difficulty in ordering MAP promotional items through PM Express. In some instances 1/2 hour required to order for 1 store. Determined the best time to call is 11:00 p.m. to 6:00 a.m. S/R Lisa Vick recommends using log sheet to indicate start date and last date to order promotions to help coordinate allocations in an effort not to lose items. In genera, PM Express does deliver the promotion within the window period 95% of the time.

S/R's Toni Lee and Frank Vignone (Miami Market) developed Mylar labels for Eli Witt to provide all Walgreen stores, gaining a permanent home for our brands and reducing OOS problems.

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REGION 3 MONTHLY HIGHLIGHTS DECEMBER 1992

<u>I.</u>	<u>VOLUME</u>	<u>MONTH</u>	<u>YTD</u>	<u>% CHANGE YTD</u>
	Marlboro	2,827.1	22,285	-3.2
	Full Margin	905.8	8,427	-5.7
	Price Value	1,010.2	9,903	-0.9
	Famous Value Brands	299.2	2,755	100.0

II. PM USA BRANDS

A. New Products

B & H Special Kings - Current distribution for the Region is 83%. Distribution varies by Section from a low of 70% in Kansas City, to a high of 90% in Section 35.

Sales generally slow, however, the B1G1F for selected markets increased distribution and trial. For the most part, product is displayed on the primary shelf of B Displays, however, overall visibility is less than desired. I have suggested that with future introductions, POS kits should be shipped to the sales reps homes. These kits should contain an assortment of POS items. This procedure would ensure availability of POS materials for every call.

We are continuing to expand distribution in the metro areas. The B1G1F was very beneficial in securing this additional distribution and virtually all displays were placed prior to the Christmas holidays. Some reports of excessive inventory on B & H Special Kings exist at the wholesale level. We are using remnants of past promotions to correct this situation on an account by account basis.

Basic - Distribution is currently 30%. Overall Basic and FVB has distribution levels of 62%. This distribution is not sufficient in Region 3, based upon the percent of Price Value business in our Region. We are continuing to emphasize being competitive with both distribution and price in every retail outlet. Our objective is 80% distribution on Basic or FVB, with pricing parity by May 1st. We are also suggesting the Retail Masters accounts should feature Basic or FVB in an effort to drive PM volume and Retail Masters payments.

Marlboro 5 Pack - Distribution currently 49% and growing. We presently have 76% distribution in Retail Masters account. We are continuing our efforts to gain visibility and the new display should be very beneficial. The key to selling the 5 Pack is through pricing and merchandising. We have many accounts doing a great job in selling the 5 Pack. Our objective is special pricing and merchandising in every call stocking the product. I suggest we continue to promote the 5 Pack, the upcoming B3G2F or B4G1F, which are excellent promotions. We anticipate utilizing full allocations on these promotions.

Marlboro 5 Pack (cont'd)

The recently concluded \$2.00 Co-Funded Program was well received by consumers and the retail community. Some problems in maintaining distribution, as retailers perceive Marlboro 5 Pack as a promotion. I have instructed the sales organization to do a better job of communicating at retail.

The sales rep is following instructions in removing the Party Lighter where it currently exists.

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B. FULL MARGIN

Marlboro - Year end figures show total Marlboro down 2.3% during 1992. We continued to experience heavy pressure from the price value category, however, Marlboro held up the Southwest better than any other full margin product. Our strategy to promote a higher percent of Marlboro volume during 1993 is fully supported by the sales force.

Marlboro Adventure Team is an excellent example of the promotions needed to drive Marlboro. The Southwest has ordered 91% of allocated displays, with 85% going to retail stores. 92% of 2 Pack allocations were ordered, with shipments to begin during the week of January 4, 1993. There are some delays in retail shipments, since the MAT product was not delivered to some suppliers until after the 1st of the year. We are also experiencing some shipment delays from Madden on MAT displays. The sales force is working through these minor problems, and doing a great job in displaying and merchandising the product.

Field visits reveal good awareness among retailers, who in most instances are recommending MAT product to consumers. Consumer awareness is reasonably good, and improving daily. Many retailers have already placed the display and POS materials before our sales force got to the stores. In some Sections, reps are working as 2-person teams, making 12 to 15 calls per day. This procedure seems to work well, in light of the many activities involved in placing MAT materials at retail. The only negative I saw during retail audits, was price call outs. The sales force reports in some instances materials have not yet arrived. We are encouraging the sales force to use starbursts as price call outs where materials are not yet available. Early indications are very encouraging that the Marlboro Adventure Team will be a very successful promotion. Even with product and display delays, we anticipate 85% utilization of all materials to be completed by January 22, 1993.

Benson & Hedges - Brand family down 4.5% during 1992. B & H Special Kings helped to slow the erosion, however this brand has not sold up to our expectations. We are still working to improve distribution, especially in high impact markets and metro areas. We learned from this introduction and in the future, will pull out all stocks to achieve rapid distribution and visibility.

Virginia Slims - Brand family down 7.3% during 1992. Virginia Slims was heavily impacted by look-alike private labels throughout the year. We are currently testing Virginia Slims 10 Packs in selected markets. Recent field visits reveal some movement on this product, and retailers are reporting regular customers in some instances.

Merit - Brand family down 3.4% during 1992. Merit was also under heavy pressure from the price value category throughout the year. Merit sales were also affected by the lack of support for Merit Ultima, which declined rapidly.

C. PRICE VALUE

Branded Generics took a major hit during 1992, with Cambridge down 30%, Bristol down 41%, and Alpine down 27%. The sales force fully supports our 1993 plan to be competitive with Cambridge. We are convinced that lost volume can be recaptured with a level playing field.

Basic - Addressed under new brands.

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D. FAMOUS VALUE BRANDS

Sales up 100%, as private labels were expanded into numerous influential accounts (i.e., QuikTrip - *Bronson* in 350 stores; Casey's - AAV in 800 stores; K&B Drugs - *Bronson* in 100 stores, etc.). Numerous distributors also doing a great job with private label and associate brands, to include: McLane's, Imperial Trading Company, Amcon, Harrison Grocery Company, etc.. We expect continued support from these influential accounts during 1993.

III. COMPETITIVE ACTIVITY**A. R.J. REYNOLDS****1. Promotions -**

Winston - Fuji Film w/2pks; winter scarf w/2pks; Meg Light w/3pks;
Winston Select - 50¢ off 1pk (Starbursts indicate "Marlboro Smokers! - Trade up to Smooth Taste").
Winston/Salem/Camel/Vantage - \$3.00, \$4.00 off coupons (\$5.00 off seen in Indian Outlets).
Camel - B1G1F; B2G1F, Camouflage T-shirt w/4pks
Camel Wides - 6 C Notes (triple cash) w/2pks
Vantage - B1G1F; Ball point pen w/2pks; Golf hat or Cigarette case w/3pks
Salem - Cooler Wrap w/2pks

2. Merchandising/Fixtures -

Section 32 reports Imperial Trading Company advised by RJR reps they will not have any overhead package fixtures throughout 1993. Instead will be using package fixture funding on couponing efforts.

3. Sales Force Activity -

Section 32 reports throughout Louisiana and Mississippi, RJR is expanding account rep position. Not increasing size of sales force, but changing scope of the position. The account rep is charged with couponing, merchandising and setting displays. Sales reps will be responsible for selling promotions, new products and products for promotions.

Section 34 reports in Indian Smoke Shops, part time personnel are switch selling in mega volume outlets on weekends, affecting overall PM sales.

4. New Products -

Vantage Ultra Lights Box Kings in a convertible pack. Introduction begins in January through February 23rd. The top of the package opens like a soft pack. Retail introduction includes 50¢ off per pack and \$5.00 off cartons. .

5. Other - Nothing new to report.**B. BROWN & WILLIAMSON****1. Promotions**

Kool - B1G1F; Lighter w/1pk; T-shirt w/2pks Super Longs; \$2.00 & \$3.00 ctn coupons
Viceroy - Mug w/2pks; B1G1F on Ultra Lights
Capri - \$2.00 carton coupons
Style - 30¢ pack coupons
Raleigh - 40¢ pack coupons; \$4.00 ctn coupons

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GPC - In New Orleans District of Section 32, B&W discontinued Buy Down Program on GPC, unless 1 year contract signed by retailer. Select retailers have not honored commitment of buy downs for \$2.25/ctn off invoice at wholesale. The impact on GPC in this District was detrimental, as Imperial Trading Company shipped an average of 450 cs/week to retail through the first 9 month of '92--50 cases more/week than Marlboro sales.

2. Merchandising/Fixtures -Section 34 reports effective January 1, 1993, B & W is eliminating carton fixture payments on 5th shelf or below. Reps placing 4-wide fixtures of Viceroy, GPC and Raleigh, with a monthly payment of \$90.00.
3. Sales Force Activity - In Oklahoma, reps are sampling full packs of Savannah , paying retailers with coupons.
4. New Products - Nothing new to report.
5. Other -

C. AMERICAN

1. Promotions - Include:
 - Misty/Montclair/Riviera - B1G1F; B2G1F; B3G2F;\$2.00 & \$3.00 ctn coupons; 25¢ & 35¢ pack coupons.
 - Lucky Strike - \$2.00 carton coupons
 - Malibu - \$3.00 coupons in mega-volume accounts
 - Bull Durham - B1G1F
 - Riviera - 99¢/pack; mail-in offer for 5 - \$1.00 coupons
 - American Lights - \$2.00 carton coupons
2. Merchandising/Fixtures -Nothing new to report.
3. Sales Force Activity - Nothing new to report.
4. New Products - *Misty Ultras* - no promotional activity on this brand at this time.
5. Other - No change from last reporting period.

D. LIGGETT & MYERS

1. Promotions - Section 31 reports of new Chesterfield Bar Program worked in Memphis District. Bars paid \$50 to place decorative wooden box on bar w/8 cartons free supplied as loose cigarettes to be sampled by customers. Advertising and coupons also placed at the location. An additional \$100 paid to the establishment if the advertising and box are in place 2 weeks from date of placement.

L & M Promotions (cont'd)

Chesterfield/Lark/Eve - B1G1F
Pyramid - \$2.00 ctn coupons; Buy Downs to \$6.99/ctn - 2 ctn/\$3.00 off
L & M/Eve - \$3.00 ctn coupons
Eve - \$3.50 ctn coupons
In Section 34 - \$4.00 VPR for all full margin packings (seen in Smoke Shops)

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2. Merchandising/Fixtures - Nothing new to report.
3. Sales Force Activity - No new activity.
4. New Products - Nothing new to report.
5. Other - Section 31 reports on the District of So Illinois, Paducah, KY and SE Missouri is within 300 cs of achieving 92 goal as of 12/21/92, being the only District to come close to goals set for the year. Part-time help assembling Eve promotions at wholesale in effort to reach year-end goal. All promo product placed in half ctn sleeves. Promotions include 5 Pack purchase at lower price; B3G2F; 5pks free w/ctn purchase.

E LORILLARD

1. Promotions - Include:
Style 30¢ off packs; \$3.00 off cartons; B1G1F
Kent - \$2.50 - 4.00 off ctn
Harley Davidson - 75¢ pack coupons; \$4.00 ctn coupons
Newport/Old Gold/True - \$4.00 ctn coupons
Heritage - \$1.00 off pks
2. Merchandising/Fixtures - Nothing new to report.
3. Sales Force Activity - Nothing new to report.
4. New Products - No change from last report.
5. Other - Nothing new to report.

IV. CUSTOMER DEVELOPMENT

SECTION 31 -

The following Retail Masters accounts participating in MAT 2 Pack Sleeve Product 60¢ Co-Funded Promotion:

Schnucks Markets; Clark Oil; Huck's Convenience; Town & Country Supermarkets; FKG Oil; ACA/Amoco

SECTION 32 -

Drink Box Accounts - Had first 2 accounts of this type open in the No Louisiana market area and are approaching with caution, with initial contract signings limited to Plan PV. Promotions and couponing activities handled proportionately for all accounts in the market, with no load-ins planned.

E-Z Mart/Texarkana, TX (342 stores) - Implementation underway on Retail Masters test in 9 stores in Ft. Smith, AR. These test stores will participate in MAT 2 Pack sleeve promotion, depending upon wholesale assistance through UM Jennifer Goode (Section 35). E-Z Mart management more positive about future acceptance of Retail Masters in all stores, to include widespread distribution of Basic.

Jr. Food Mart of America/Jackson, MS (88 stores) - Retail Masters M1, category 2, rate factor 3, was signed with all stores 10/92. The account removed RJR from the selling side of primary register, and PM gained authorization to install all package fixtures in all stores.

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